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SENSITIVE

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SUBJECT: RUSSIA HITS LITHUANIAN TRUCKING

SUMMARY

¶1. (SBU) On August 3, Russian customs officials began giving additional attention to Lithuanian trucking firms' transport documentation, including Transports Internationaux Routiers (TIR) carnets, at Russia-Latvia border posts. As part of this effort, Russian customs officials required that trucks registered in Lithuania be placed in a separate line at those border posts. Difficulties have been experienced by Lithuanian trucks attempting to enter Russia from Belarus and Estonia as well. The result has been queues of many kilometers and drivers waiting days to enter Russia with their goods. Lithuanian and Russian customs officials reached an agreement on August 13 that will restrict the operation of 29 Lithuanian trucking firms whose predominant market is Russia, but, hopefully, allow less onerous access for other Lithuanian firms. Nonetheless, Lithuanian trucking firms appear to have suffered significant economic damage.

KEEP CALM BUT ASK WHY

¶2. (SBU) Gytis Vincevicius, Head of Communications for the Lithuanian Carriers Association (Linava) told us that Russian customs was justifying its actions based upon 16 truck voyages out of a total of 51,150 in the first half of 2009. Vincevicius said that Russian Customs contacted its Lithuanian counterpart on or about July 24 to request additional information regarding the 16 truck voyages in question. On 3 August, Linava began to receive reports that Lithuanian trucks were experiencing additional delays at the Latvia-Russia border. On August 5, according to Vincevicius, Lithuanian Customs received a written explanation from its Russian counterpart describing why Lithuanian trucks had been targeted for additional inspection. This was followed by additional reports of delays in Belarus and Estonia.

ECONOMIC MOTIVATIONS?

¶3. (SBU) The Acting Head of Lithuanian customs met with his Russian counterpart in Moscow this week and on August 13 signed a protocol restricting the operation of 29 Lithuanian trucking firms into Russia. These firms are predominantly oriented to the Russian market. Vincevicius said that of Linava's 900 members approximately 700 operate shipping routes to Russia. He estimated that of the approximate 20,000 strong Linava member shipping fleet, 10,000 trucks are used by firms that ship to Russia. Of these 10,000 trucks, Andrius Kalindra, a Counselor in the MFA's Economic Security Policy Department, told us that approximately 1,400 trucks are operated by the 29 firms mentioned in the protocol.

¶4. (SBU) The signing of the protocol does not mean problems have ended for Lithuanian carriers, according to Vincevicius. He told us that the Russian Transport Ministry recently annulled the validity of second and third country transport authorizations previously issued to Lithuanian shipping

firms. Vincevicius estimated that this action, combined with reports of difficulty experienced by Lithuanian carriers in Russia, has resulted in the loss of contracts with Western customers shipping to Russia for approximately 200 Lithuanian trucking companies.

¶15. (SBU) Kalindra said transport accounts for 45 percent of the Lithuanian service sector. Interlocutors have told us that 60 percent of Lithuania's GDP is tied to exports, with Russia being Lithuania's top trade partner when measured on an individual country basis. Russian trade is responsible for approximately 20 percent of Lithuania's trade turnover (imports exports).

¶16. (SBU) Vincevicius speculated that Russian motivations are solely economic. He said the Russian truck fleet is roughly the same size as that of Lithuania and the 29 firms involved have Russian subsidiaries. Thus, if pressured, these firms might be forced to increase the size of their Russian operations. Vincevicius added that the head of the Russian equivalent of Linava, Asmap's Moskvichev, previously held a position in Russia's Transport Ministry.

COMMENT

¶17. (SBU) While this latest Lithuanian-Russian crisis appears to be resolved, we expect continued speculation regarding Russia's motivation in cracking down on Lithuanian trucks seeking entry into Russia. Despite Vincevicius's assertion that Russian transport interests are behind the crisis, many in Lithuania point to political reasons for the crackdown on

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Lithuanian trucks. Some have linked the Russian action to Lithuania's decision in late July to refuse entry to Modest Kolerov, a former aide to Russian Prime Minister Putin (news reports indicated that Russia subsequently had threatened retaliation). Still others have speculated that Russia was testing the new Lithuanian president, Dalia Grybauskaite; however, Grybauskaite downplayed the possible political angle of Russian customs officials, calling for the issue to be resolved at the technical level. In a conversation with Charge on August 14, Lithuanian independence leader Vytautas Landsbergis (now a member of the European Parliament) affirmed his belief that Russia's action was essentially political, though he noted that corruption within the Lithuanian trucking sector made it an easy target for Russia. Landsbergis also suggested that the first anniversary of the Russian-Georgian conflict, in which Lithuania took a strong stand in support of Georgia, would also have been a prime rationale for Russian harassment of Lithuanian trucks. Whatever the motivation, Russia's actions against Lithuanian transport companies, as well as Russia's ban on various Lithuanian dairy products due to traces of antibiotics, has increased Lithuania's economic pain during a time of severe economic contraction.

LEADER